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The Status of BRIC Countries in Terms of International Relations and Their Potentials to Become a Global Power

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Abstract: The “BRIC” term consisting of the first letters of Brazil, Russia, India, and China was first coined in 2001 by Jim O'Neill, the chief economist at the international investment company Goldman Sachs. These countries encompassing over 25% of the world's land coverage and 40% of the world's population and holding a combined GDP of 25% and assuming the leader role in terms of the developing countries have important differences apart from their similarities in their economies. The significant reason for their taking part in this group is that these countries have achieved rapid economic growth along with the economic reforms and transformation and take place near the top among the countries with the highest national income. The significant reason behind the becoming of these countries one of the major economies of the world after the 1980s is that the rapid growth in China and India and high incomes based on the natural resources wealth in Brazil and Russia. It is discussed that BRIC countries, which differ in many respects from their political regimes, development models and economic policies, leave their mark on the 21st century. In this study, the potentials of BRIC countries to become a global power in the future will be evaluated.

Keywords: BRIC Countries, Global Economy, Economic Growth

1. New Actors in the Global Economy: BRIC (Brazil–Russia–India–China)

The 21st century bears the traces of many innovations and different formations will be experienced in the global economy. Along with the new century, the significant changes are experienced in the structure, organization, and distribution of manufacturing alongside the developments in the political sphere (such as the end of the cold war). The countries dominating the world economy strive to adapt to changing conditions by establishing new groups and organizations or integrating with existing ones in order to solve problems which may arise in the challenging competitive environment in the global world and to protect their interests. The economies, which

grew rapidly in the 2000s, attracted a significant portion of foreign direct investment (FDI) and whose power to influence the global economy rapidly increased, were categorized in different groups.

The four countries creating growth opportunities for producers thanks to low labor and manufacturing costs, attracting FDI and increasing its exports rapidly, raising its foreign exchange reserves and national income rapidly, relatively less affected despite crises have attracted attention in these different formations. These four countries are defined as BRIC countries. The main characteristics of these countries are their high population, their natural resources wealth, their rank in the second stage (India is in the first stage) in terms of their level of development, their rapidly increasing income and the number of consumers. The growth dynamics of these economies are similar in general terms.

BRIC is an acronym developed to define the economies of Brazil, Russia, India, and China. This acronym was first coined in 2001 by Jim O'Neill, chief economist of Goldman Sachs. According to Goldman Sachs, these four countries will be the richest countries in the world by 2050 thanks to their rapid development (O'Neill, 2001: 66). According to the BRIC thesis, it is claimed that they may become significant actors in the global economy by creating a powerful economic bloc, in case China and India, which are the major producers of industrial products, and Russia and Brazil among these countries, which are the suppliers of raw materials and energy, join forces (Dolgikh and Kokin, 2009:885–890). These countries, which are among the first five fast-growing economies today, dominate the global trade and encompass over 28,7% of the world's land coverage and 40% of the world's population and hold a GDP of 25%. Goldman Sachs does not claim that these four countries may establish an official economic or trade bloc. However, Goldman Sachs indicates that these countries are able to become a political club or union. The leaders of these four countries held their first meeting in Ekaterinburg on 16 June 2009. At this first summit, they have given the first signals that they may act collectively by coming together in certain periods in the direction of common interests.

These four countries are among the largest economies in the world and one of the fastest growing countries in developing countries. Following the early estimates in 2001, it has been determined that China has kept up with the other countries among the six most developed countries this very day in the evaluations performed by Goldman Sachs in 2010. The estimates are in the direction that China will catch the US

in 2027. Apparently, there will be BRIC countries among the countries which will lead the global economy in the first half of the 21st century.

The growth of these economies, which are estimated to shape the future of the global economy within the framework of the new world order, cannot be stopped despite all the problems and global crises and problems experienced may only decelerate the growth of these countries. BRIC countries have attracted attention not only in terms of population, income and rapidly progressing technological infrastructure but also as being a human capital resource pool with many scientists, technically qualified engineers, and experienced managers.

Brazil, Russia, India, and China (BRIC), which have undergone significant changes in the historical process, have many similarities and commonalities, although their historical background and economic growth strategies are different. The reasons for remaining on the agenda in the global economy and the historical and economic characteristics of these countries, which have left their mark on the global economy and the claims that they will have much greater power in the 2050s, make a sensation.

The implementation of policies for import substitution in the historical backgrounds of these countries constitutes the common aspects of the development plan implementation and the implementations of economic reform were performed within the close period of times as well.

There were significant historical years of beginning for these countries such as in 1979–China, in 1979–India, in 1980–Brazil and in 1990–Russia. China and India have adopted the approach of step-by-step, and Russia and Brazil have adopted the approach of shock therapy and these countries have tried to make the transition to the market economy and to perform the transformation. The radical change, covering a process of approximately 25–30 years, brought these countries into a significant position in the first half of the 21st century.

In this study, the economic and political developments of Russia and China will be studied in order to evaluate their potentials to become a global power as they have close links with Turkey.

2. Russia

Russia, having natural resources wealth and applying shock strategy (Bing Bang) in the transition process, holds approximately 13% of the oil reserves and 33% of the natural gas reserves and 50% of the strategic raw material reserves such as aluminum, platinum, nickel, and uranium of the world.

Russia commenced its reform implementations in 1989 and performed a rapid transition from central planning to the market economy. At the first stage, Russia carried out the price liberalization and had to struggle with high inflation. The increased corruption arising as a result of the transition to the market economy has had adverse effects on the level of welfare. A small class at the top of the income pyramid is enriched by unlawful profit, especially by generating high profits in trade based on natural resources.

Russian economy went into a decline in the 1990s and the enormous strides have been made in regards to economic indicators. Among the BRIC countries, Russia is not a problematic country. Although the economic growth of Russia is the lowest among the other three countries, it is one of the ten highest income countries in the world (Alessandrini and Buccellato, 2008:97).

The Russian Federation is governed by a presidential system. The country is foreseen to be governed by the federal republic under a strong presidency as per the Constitution of the country adopted in 1993. The president, who is the leader and top director of Russia, is elected by the general public for a period of four years. The political system of Russia is called the "Powerful Presidency" or "Super Presidency" system where there is no deputy president (Erol, 2010).

Russia, which is in the first place among the countries of the world with 17.075.400 square kilometers regarding the territorial integrity and is in the eighth place among the countries of the world with 142,9 million people regarding the population, is a country with communities from different nationalities within its borders. Russia has the European continent about two times with its lands spread over Asia and Europe, covering approximately 11.5% of the world's land coverage (Çemrek, 2010).

There is a Slavic culture, an absolutely obedient society, and a leader with unlimited power at the top of this structure at every stage of the transformation of the Russian Federation from the small Grand Duchy to the world empire and superpower. In the

long course of time, the conditions changed and the Tsarist Regime and the Soviet Union collapsed. Although the Russian Federation was established and the regimes were become distinct, the class holding the government had the absolute power in every period. No leader in the world has been as effective in the decision-making mechanism as in Russia (Onay, 2007).

3. Period of the Union of Soviet Socialist Republics (USSR)

Tsarist Russia, namely the Russian Empire collapsed in 1917 because of two successive revolutions and this led to the creation of the Union of Soviet Socialist Republics (USSR). Firstly, the February Revolution, which took place in 1917, overthrew the monarchical structure. The second, the October Revolution, which also took place in 1917, the provisional government was overthrown and the Bolsheviks who are the under the leadership of Lenin came into power.

In 1917, one of the most important implementations of the Bolsheviks was the "Decree on Land". This decree stipulates the expropriation of lands and an equal distribution of these lands among the population. The large land ownership was granted to the villagers, who are decisive in determining the level of agricultural manufacturing and the number of agricultural products to be launched on the market, for the first time in the history of Russia. This decree led to an increase in support and number of supporters for the Bolsheviks. Expropriation was carried out in the field of industry and expropriation activities were undertaken in the fields of banking, grain purchase and stocking of it, transportation, oil and war industry. These implementations in the early stages of the revolution led the state to gain control over key sectors and to establish state capitalism in Russia (Lewin, 2008:21).

Following the abolition of private ownership, the state ownership in the sense of cooperative with collective farms in the agricultural sector, industry, railways, and trade was extended.

The actions have been taken in order to carry out radical transformations through the implementations of "Planned Economy", "Collectivization" and "Industrialization". 77.7% of the agricultural land was collectivized and at the same time the product range to be cultivated in the agricultural sector was determined and the manufacturing aims were determined through the implementation of collectivization especially in the agricultural sector in 1932. The manufacturing aims were determined for approximately 50 branches of industry and many factories and power plants were started to be built

through the collectivization. The significant portion of the resources was transferred to heavy industries, food and light industries within the framework of the plan. Foreign engineers and workers from abroad were invited to the country and huge investments such as automobile factory and hydroelectric power plant were carried out (Özsoylu and Algan, 2011:76).

The growth rate of the economy of USSR began to decline in the 1970s, and this decline accelerated after 1975. The USSR, which is the best producer of arms in the world and has the power to manufacture all of the heavy industrial products leadenly, failed to meet the basic requirements of the society because of the policies followed. This process led to the failure of the Soviet economy to compete with the West economy. The reform movements in the economic structure were strongly rejected and suppressed by the central government (Onay, 2007). Although the bureaucratic centralist structure in the Soviet system has been gradually corrupted and it was determined by some of the top executives that there should be a strict discipline implementation from the top to the bottom and opposing views should be struggled without deviating from the principles of socialism in the whole country, the solutions projected by these determinations was not successful as the Nomenclature, which represents the Soviet bureaucracy, values its personal interests above all and corruption is very common (Abdullayev and Elma, 2009).

The 1980s are a period of significant changes experienced all over the world. The new initiatives in terms of both political and economic fields have been brought in the periods of Reagan in the US, Thatcher in the United Kingdom, Kohl in West Germany. These transformations experienced in the world were declared in Russia in 1985 and continued until the 2000s.

Mikhail Gorbachev is one of the most significant names in the last period of Russia, which left its mark on the history of the world for 500 years. A series of radical economic reforms were put into effect on 7 November 1987 in order to reactivate the stagnant economy of the country, to recover the economy and to make new investments.

One of the factors leading to the dissolution of the USSR, which began with the reforms of Gorbachev, is the lack of human rights and freedoms in the country. Gorbachev made the following statement about the Soviet system: "The system established in our country was not socialism, it was a real state capitalism. Of course, there were elements of social justice and the domain of socialism. There were obtained values

through education and science. However, there were other social systems except for them. These social systems were not in a socialist manner. Therefore, it is not fair to make these acquisitions as if they belonged to socialism. Based on all this, we are led to the conclusion that: The model reached is totalitarian. This was a model, tying people and chaining them, imposed upon the country, and we had to break this chain. I do not stand for the collapse; I stand for solving the chains" (Cendeoğlu, 1997).

When Gorbachev came into power, he put into effect "Reconstruction–Perestroika" and "Openness–Glasnost" policies in order to re-establish the collapsing Soviet system (Abdullayev and Elma, 2009). These implementations comprised the name given to all reforms required to reach the stage of new manufacturing relations required by the new development stage of the productive forces and to overcome the stagnation of the Soviet economy and society and have gained a historical dimension under the name of "Glasnost and Perestroika". These policies have stipulated the canalizing the free market economy in the economy and supporting this with sociocultural steps and opening the economy to the foreign countries and carrying out them in openness to reach aimed democratic structure (Gros and Steinherr, 1991). The main aim of Gorbachev was to provide bureaucratic reorganization with "perestroika" and to democratize the functioning of the institutions of the country by providing openness and transparency with "glasnost" and to accelerate the growth by eliminating the *Uskoreniye*, namely cumbersome structure. In other words, it is aimed to canalizing the free market mechanism in the economy and opening the economy to the foreign countries would be carried out within the glasnost with the support of sociocultural changes (Skorov, 1987). Although it was stated that the reform implementations would not be rapid due to the cumbersome industrial structure and insufficient infrastructure of the USSR, this situation was highly criticized.

Gorbachev indicated the need to act within the slogan of "acceleration" and to reverse the decline in growth with the idea of increasing the manufacturing, destroying the bureaucratic understanding and providing the efficiency in the Soviet Union, which is constantly losing power and prestige in the eyes of the world. Governments before Gorbachev focused on technology in order to solve economic difficulties and searched the solution in the chemical industry, automation – computer and robots without questioning the system itself. Together with Gorbachev, the Soviet thought has taken into account the "human factor" in terms of the aims and means of development and focused on the moral dimensions of such problems. At the same time, the implementations such as quality of products, reduction of alcohol use, change of

persons in party and management levels for eliminating the restrictions on economic activities have gained importance (Fischer, 1992:18–19).

The administrative, economic and political reforms have been put into effect in the Soviet Union since the first half of the 1980s. However, the failure of reform implementations and the reluctance and resistance of the traditional structure against the implementation of reforms, the rapid decline in economic growth and foreign trade, the increase in foreign debt and deficit spending have accelerated the social and economic collapse in the country (Svejnar, 2002). This period was a difficult period in terms of politics and the Soviet Union, which was established in 1917 and became “superpower” after World War II, was dissolved.

4. Dissolution of the Soviet Union and Establishment of Russian Federation

The transition from the USSR to the Russian Federation started with Perestroika and continued with the collapse of the central planning economy and ended with the dissolution of the USSR. This period, which covers the second period of the transition to the market economy between 1991 and 1998, also covers the first years of establishment and economic collapse and the years of rapid economic reforms of Russia.

The Russian Federation was established in the place of the dissolved USSR in 1991. In the beginning, there were difficulties in the management level because of disagreements and the difficulties of a new formation. Economic reform seeking experienced between 1989 and 1991. “500 Days Program” report was prepared by Stanislav Shatalin regarding the transition to the market economy in August 1990. In the report, it was pointed out that the basic functions required for the establishment of the new economic system such as the formation of a competitive market economy, privatization, price formation in the market, integration with the world economic system (Dorn, 1991).

In the process of transition to the market mechanism, it was not deeply discussed that the transition to the implementation of China “gradualism” namely step-by-step or the implementation of Poland “shock therapy” and the shock therapy was decided upon. Accordingly, the period of the market economy began in Russia (Kinney and Kaler). Three key components of shock therapy in Russia are:

- Comprehensive price liberalization,

- Macroeconomic stabilization,
- Privatization.

The reforms implemented in 1991 were carried out thanks to the support of the IMF. Although the program aroused great curiosity and was supported in the West, a discomfort started in the country in a short time and there were great reactions to the results of the program.

Russia, which was present on the global stage at the end of 1991, implemented its transition strategies in accordance with the recommendations of the IMF and determined the outlines of the transition strategy as follows (Kotz, 2004):

- Decontrolling of the prices,
- Rapid privatization of public institutions,
- Elimination of the public impact on the decision-making mechanism of companies,
- Restriction of public expenditures,
- Tight monetary policy,
- Removal of obstacles against trade in goods and services.

It was believed that the risk of inflation as a result of the decontrolling of the fiscal and monetary policies and prices would be eliminated and the foreign capital would come to modernize the Russian industry with the removal of obstacles against trade and control over companies. In this way, it was thought that the economy would be restructured and a rapid growth would be achieved. However, the result was not as expected and the economy declined from 1991 to 1998. GDP decreased by 46% and investments decreased by 81% in these years. Compared to 1990, GDP decreased by 51% and investments decreased by 84% (Kotz, 2004). The inflation and budget deficits increased rapidly in the first two years in implementation of the shock therapy.

In the months following the price liberalization, a rapid and intensive privatization program was initiated and different methods were applied in different periods of privatization. In the first stage of privatization (1992–1994), the voucher method was applied in the privatization of large and medium-sized companies in Czechoslovakia and the sales were performed by auction in the privatization of small-sized companies. At the end of 1993, 70% of small companies were privatized and a significant portion of these companies was sold to directors (Baer and Bank). The companies in which national defense products are manufactured are excluded from privatization. In the second stage of privatization, some large and profitable companies under state control were sold to banks in return for loans taken in order to finance budget deficits. 5 oil

companies, 2 steel companies, 2 ship companies, and 1 oil trading business were sold and \$1 billion revenue was obtained (Kinney and Kaler). In the third stage, which started in 1997, state-controlled companies were put on sale, and 90% of industrial manufacturing and 80% of companies were privately owned (Brunat and Xavier, 2007). In Russia, privatization increased imbalances in income distribution, and unlawful profits led to significant increases in the revenues of rich bureaucrats and black marketeers. Income equality also increased gradually over time (Svejk, 2002). A study carried out in 1995 showed that the income distribution collapsed rapidly in a short time. The richest 20% had 46.6% of the income and the poorest 20% has a national income share of 5.7%. As a result of all these negativities, bribery, pickpocketing and theft incidents emerged in Russia. The increase in corruption and determination of the credit granted to persons, not to the economy was influential on the decision of the IMF not to grant the loan to Russia (Özsoylu and Algan, 2011).

The positive development recorded in economic indicators in 1997 reversed in 1998 and borrowing from the capital markets was at the top of the agenda. In a short period of time, the financial crisis known as the Russian Crisis emerged. Budget deficits, short-term and high-interest domestic debts increased rapidly and financial problems emerged. The problems regarding the sustainability of short-term debt, the deterrence on investors regarding the arbitrary tax implementations for foreign and domestic investors, the social and economic problems regarding the transformation and the South East Asian crisis in 1997, affected the Russian economy established on delicate balances and Russia experienced a crisis in 1998 (Aslund, 1999). In this period, the decrease in natural gas and oil prices in the global markets deeply affected the Russian economy depending upon the export of these products. At the same time, bank bankruptcies and the difficulties in debt supply on the one hand, and on the other hand, the withdrawal of funds of international investors from Russia accelerated the crisis.

The crisis in 1998 deeply affected the economy and the GDP decreased by 51% and gross investments decreased by 58% compared to 1990. The Ruble was devalued at the rate of 71% in 1999. In the process of transition to the free market economy, allowing the formation of prices in the free market led to an increase in prices on the one hand and on the other hand a serious poverty as wages could not keep up with these developments. According to World Bank data, 10.5% of the population had to subsist below 2 USD per day in 1999.

5. Russian Federation After the Crisis

The crisis deeply affected the Russian Federation in terms of economic, social and political aspects and Putin, who won the presidential elections with the statement of Russia would be in an "influential position" tried to rebuild the country during his presidency.

After 1999, the positive developments in the performance of the Russian economy began to take place. Economic growth remained stable until 2009 and the economy became narrow by 7.6% in 2009 due to the global crisis. In 1999, although the inflation rate is 85.7% because of the 1998 Russian crisis, the inflation continued to decline to single-digit levels until 2008 with a constant decline and started to tend to rise again in 2008 and thereafter. The Russian economy is dependent on energy products and derivatives and this might be considered as one of the main reasons for this negativity. As a result of the global crisis, energy demand decreased because of the declining manufacturing capacity in the world and this caused a significant shrinking in the Russian economy.

The high rate of devaluation and the policies implemented in order to expand the economy were effective in the post-crisis recovery (Kotz, 2004). Moreover, the developments in the world oil market were supportive of the recovery. The rising oil prices have increased the oil export revenues significantly since the beginning of the 2000s and this made significant contributions to economic growth. Seven companies were privatized in 1999 and eight companies were privatized in 2000. It has been stipulated that the privatization of small and medium-sized companies will be accelerated. The supports to increase the contribution of the private sector were focused (Vasiliev, 2000).

While the share of agricultural and industrial sectors in the sectoral distribution of GDP declined between 1991 and 2009, the share of the tertiary sector increased. While the share of the agricultural sector was 16,8% and the industrial sector was 50,2%, the share of the agricultural sector became 4,7% and industrial sector became 32,8% in 2009. While the share of the foreign debt in GDP was 90.3% in 1999 and this decreased to 28.8% in 2008. Current transactions yielded a continuous surplus, but its share in GDP declined from 18% in 2000 to 4.9% in 2009. Since 2001, the foreign debts have been started to be paid. Some of the credit tranches to be received from the IMF have been waived. Although Russia paid a large amount of debt, its economy could grow until 2009.

In the 1990s, high and floating inflation was brought under control and as of 2006, it was able to be reduced to single-digit (9.7%) level. Although Russia has experienced stable and relatively high economic growth in the 2000s, it was able to compensate the manufacturing losses in the first half of the 1990s for the last few years and its real GDP was able to catch the 1990 level only in 2006 and exceeded this level in 2007 and 2008, however, it remained at the level of 1989 in 2009.

Lack of population in the middle class and the group with high income and imbalances in income distribution prevent the Russian domestic market from having a broad market characteristic. On the other hand, the population tended towards decline and the population which was 148.7 million in 1992 decreased to 144.3 million in 2016. The population at the working age increases. However, the inadequacies of work creation led to an increase in unemployment and social problems. When considering the long-term, Russia may face the danger of losing young and dynamic nature of its population.

Putin has drawn attention to the problem of the decreasing population by taking into account that economic, social and demographic problems may be faced in the future because of the decrease in the young population. According to the predictions of the various organizations, it has been estimated that the population of Russia will be decreased to 111.8 million in 2050, in other words, the population will decrease by approximately 30 million if the measures are not taken. It is suggested that there are reasons behind this development such as low birth rate, high mortality rate, excessive alcohol consumption, the rapid spread of AIDS and similar diseases, and low living standards. Putin decided to implement a nationwide social reform package in 2005 to overcome this problem. In this framework, the incentive programs have been initiated to increase the birth rate and the importance of the fields such as health and education to increase public welfare has been mentioned. The developments such as increasing the budget allocated to the fields such as health and education and timely payment and increase in wages have been implemented during the Putin period. Decreasing the population living under the poverty threshold and increasing the population of the middle class by 2020 within the scope of "Strategic Development of Russia by 2020" announced during the Putin period were among the main objectives.

The rapid and radical reforms required by the shock therapy in the process of transformation have been remained slow and partial in Russia. The expected acceleration and deployment in the reforms were not achieved. While the energy sector

plays an active role in the GDP of Russia, 65% of the federal budget funds and more than 50% of the export revenues are obtained from oil and gas. Russia was able to recover its economy with the rise of energy prices in the world by benefiting from the advantages of income economy. The income obtained from the energy sector is estimated to be more than 25%. The profitability of bringing up oil and natural gas and selling it at the world prices creates a crowding out effect in both input import and export of other sectors (Brunat, 2007).

Putin initiated a program to create a powerful economy in Russia. Russia declared a moratorium during the crisis and could not pay its foreign debts and this caused a sensitivity on Putin. The rise in prices of energy resources, which constitutes the basis of the economy of Russian Federation, had a positive impact on the recovery of the economy and the continuation of the reform implementations in the Putin period. Russia, which is one of the countries with the biggest gas and oil reserves in the world, was able to pay its domestic and foreign debts thanks to its income from energy resources and increased its foreign exchange and gold reserves during this period. According to World Bank data, the Russian economy grew by approximately 5.5% and by 5.8% in terms of income per capita between 2000 and 2009 and national income per capita increased from \$1775 to \$8684.

The biggest contribution to the economy of the Russian Federation, which underwent structural change and transformation, was provided from the natural resources owned. Oil, natural gas and mines have an important place in the export of Russia. They are followed by chemical products, machinery-equipment. For the composition of imports, machinery-equipment, and transportation vehicles are in the first place; the food and unprocessed agricultural products are in the second place, and the chemical products are in the third place (Kar, 2010). The reasons for not being able to do product diversifications in its economy cause difficulties in forming the economic structure due to the fact that the economy is dependent on natural resources.

Russia, which experienced a very difficult period in the 1990s, and began to take serious steps regarding its economic decisions and foreign policy in the 2000s, became the newly rich and decisive country of the world in the 21st century.

Distinctive characteristics which distinguish Russia from the former period: (i) the foreign policy rapprochement with the West at the stage of reform beginning with Yeltsin, (ii) ending the competition with the United States in the nuclear sector, (iii) the improvement of relations with NATO and other regular members of the UN Security

Council and European allies. The significant initiatives have been brought in regards to membership to the international organizations such as the World Trade Organization (WTO) and G-7. The criticism of all the breakthroughs carried out in the country; the continued expansion of NATO and EU; adopted the Western model bringing Russia on the verge of dissolution have caused the foreign policy to be reconsidered.

Putin, who started a disciplined transformation program by considering the domestic and foreign problems as a threat to the state tradition, was a significant figure in the transformation program of Russia. First of all, the policies of Putin, which can be summarized as powerful and efficient centralized government, a strong economy, strong army, and active foreign policy, are the decisive breakthroughs for Russia to regain its power in the former days.

Developments are promising for Russia in terms of the future. The impact of the severe global crisis at the end of 2008 was significantly tolerated and the economy continued to grow again. Oil prices, which increased again in 2010, brought vitality to the Russian economy, and this increasing demand resulted in improvements in the domestic and foreign trade volume of Russia (Özsoylu and Algan, 2011).

6. China

China is located in the east of Asia and on the west coast of the Pacific Ocean; China also the fourth largest country in the world after Russia, Canada, and the United States, and it is the largest country in Asia. China is the most populous country in the world with a population of 1.379 billion. China has a coastal border of 32.000 kilometers beside a land border of 22.800 kilometers and 5400 islands are located in its inland waters.

70% of China, which has a surface area of 9.6 million square kilometers, encompasses the mountains and deserts. The arable land covers only 30%. The size of the arable land is relatively small compared to the population. After all, 7% of the world's arable land has to feed 20% of the world's population. For this reason, the agricultural sector has traditionally been very much concerned, in fact, China has been described as a peasant society for many years.

China is losing the characteristic of being a peasant society, which has also left its mark on the political system and is rapidly urbanizing. Although it is a developing country, according to the estimations made by various institutions, especially OECD, it

will be on the first rank in the GDP ranking in 2050 and will realize 12% of the world GDP and 20% of the world trade.

China, which has become a rising force with rapid economic growth as a result of successful reform implementations, is called “New Tigers of Asia” together with India (Ahya and Andy, 2004). 1978 was a turning point for the Chinese economy. Deng Xiaoping initiated the restructuring program as per the rules of the market economy, and China, today’s world-giant, has emerged through Chinese market-based reforms and has changed the world balances. The reform and liberalization initiatives initiated in the foreign trade, capital and sector reforms have been highly influential on the present and future of the country.

China (the People's Republic of China-PRC), which has the most different developmental course among BRIC countries, initiated reform implementations in 1979 and carried out the transition from central planning to socialist market economy step by step (gradualism). Along with this transition, the adaptation of companies, state, and society to the market has occurred in the course of time. The increase in domestic demand caused by the increase in household income has created an expansion in the market along with the external demand for the goods manufactured. The state supported these fields by being selective in the manufacturing sectors and accelerated the economic growth. The reforms in the foreign trade after 1990 have provided significant increases in the export. In a period of 10 years, the exports have doubled and reached 30% of GDP and FDIs also increased approximately 10 times and reached \$38 billion. The regulations for foreign investors initiated in 1982 and the established Exclusive Economic Zones (EEZ) played an active role in this increase.

At the stage of reform implementation, non-complex reforms were implemented primarily and, later on, relatively complex reforms became a part of this implementation. In 2001, China participated in the World Trade Organization (WTO) and passed to liberalization in the foreign trade and in connection with this, passed to liberalization in the financial sector. As a result, a legal system has been established in accordance with directives of the World Trade Organization. The efforts have been made to solve the complex problems such as unemployment in urban areas and inefficiency in the public sector and migration from rural to urban areas.

Until the 2000s, China has been negligent in high-tech investments, as in other developing countries, and has benefited from its range of products with comparative superiority due to low technology and high cost. Recently, it has moved away from this

policy and canalized the high-tech investments and thus has attempted to maintain the achieved momentum.

Although the reform implementations haven't provided positive developments in the quality of life and standard of rural areas, the positive developments have been observed in the urban areas at this stage. The effort of China to become a global economic force rather than becoming a big economy has made China a powerful economy. In this development, the foreign exchange rate policy, Exclusive Economic Zones (EEZ), transparent legal regulations, the approach of increasing income inequality, the approach of rights and freedoms and WTO membership have been influential. All these developments led China to the top in terms of GDP among the countries of the world.

Russia, one of the BRIC countries, is among the 10 largest economies of the world in the 1980s. While Russia ranked 11th, China ranked 2nd in 2010. However, China has not performed a similar progress in terms of per capita GDP for reasons such as overpopulation and low productivity. In the context of both consumption and investment needs, China has such a great population that it is impossible to meet all its needs (Piketty, 2015). Although China has a large domestic market, the imbalances in income distribution incur negativities on the growth of the domestic market. China has made the growth of its economy significantly dependent on foreign trade.

China became the main actor of the international politics and economic discussions with an open development strategy and the industrialization movement initiated by itself in the last twenty years of the 20th century. Once a poor country, China has become the most important economic force along with the USA, Japan, Germany, France, England, and Italy since the beginning of the 2000s (Özsoylu, 2006).

China, the economy of which has gained dynamism and has shown a growth rapidly with its unique market reform implementations started in 1978, has rapidly increased its exports and has become the world leader in terms of foreign exchange reserves. The attraction of the country as an important market and export platform has made China the country attracting the foreign capital at most since 1993 and has become the "factory of the world" with the developments in recent years (Shenker, 2007).

Behind this success of China, which shows a very difficult growth performance after the initiation of the transformation program, the implemented reforms and strategies have a great importance. The efforts of the country under the leadership of the Communist

Party of China (CPC) since 1949 to become an industrial society and the misgovernment caused millions of Chinese to starve between 1959 and 1962. China was governed by "Maoist Communism" until Mao, who was the favorite of the Chinese people and the founder of this system, died. After 1978, China has grown at a steady and record level and has continued to grow. After the 1960s, China has kept up with the rapid growth, which has been experienced by the newly industrializing countries in Asia, in the last 20 years of the 20th century and has realized the "Chinese Miracle".

Having a significant proportion of the population of the world and its economic force and implementation of a unique economic model and the economic performance which has been displayed by China, have been a factor for conducting studies and interest in the Chinese economy.

China has been growing rapidly with an annual growth rate of 10% among the world countries for 30 years. Since 1949, China has been structuring its fully self-contained economy within the framework of its own self-sufficiency policy. As of 1979, China has been globalized to the outside world with the economic reforms implemented by Deng Xiaoping single-mindedly and the transition from the central planning economy to the Chinese market economy has been achieved and the country reached its current level with a big breakthrough.

China, which has managed to become the second largest economy in the world, has reached a prosperous position for the economic investments and has become a country which raises the GDP growth rate in the world with its manufacturing increase. The major dynamics of the current success of the Chinese economy may be listed as follows (Lardy, 2007):

- Capital formation and accumulation,
- Young and workable population,
- Consumption expenses,
- Investment and savings,
- Foreign capital investments,
- Labor productivity and wages,
- the share of exports of goods and services in GDP,
- Openness to the outside world.

Manufacturing development in all economies consists of the total increase in consumption, investment, net assets, and service exports. Investments and exports are the most powerful factors which provide China to grow. While the share of capital

accumulation in GDP was 28.4% at the beginning of the reform implementations, it became 44.5% after a significant transformation in 1992 and then it became 47.7% in 2009. The high level of capital accumulation, which is a significant manufacturing input, has significantly influenced the growth. The capital accumulation is also a significant indicator in terms of industrialization level and the high capital accumulation in China increases the level of industrialization (Lardy, 2007). The capital accumulation increases with new investments, and domestic and foreign savings constitute the source of new investments.

China has an advantageous position in terms of young and workable population. 1.4 billion people live in China possessing approximately a quarter of the world's population. This crowded population, on the one hand, constitutes one of the significant problems for China, and on the other hand, it constitutes the potential to become a source of the economic force. "One Child Policy" was implemented in 1980 to prevent the increase in the population of China and this policy tried to prevent the rapid population growth. However, 72% of the population is between the ages of 15–64. In other words, approximately one billion people can work. It has been set out that the advantage of the demographic opportunity behind the rapid breakthrough in the Chinese economy will begin to close in the coming years and the old population will increase and in the case of insisting on the implementation of the "one child policy" in the 1980s, the young population potential will be lost in the studies carried out by various organizations (Özsoylu and Algan, 2011).

The labor costs per hour in the manufacturing industry in China are approximately 30 times cheaper than France and 20 times cheaper than US and 5.5 times cheaper than Brazil. The abundant labor force and labor cost advantage are important factors indicating why manufacturers in the manufacturing industry in other regions of the world are considering the transfer of their manufacturing to China.

The labor cost advantage has enabled China to become an attraction center in the eyes of the whole world. China attracts quite significant foreign capital investments particularly from the industrialized and newly industrialized countries where the wages are very high. China has experienced another significant development in the last 25 years as well as the low labor cost. 7,500 students were sent to study at Soviet universities during the Mao period and 320,000 students had the opportunity to complete their education in the world's different countries between 1978 and 1999. Most of these students went abroad with a state scholarship and some of them received scholarships from other countries. A large number of Chinese students, who

are sent abroad in order to study engineering, science and business administration, are studying in the United States. In this regard, the US is followed by Japan, Canada, Australia, United Kingdom, France, and Germany.

Most of the students studied abroad returned to China and participated in bureaucracy and universities. 9 Chinese universities (Beijing and Tsinghua at the top 100) ranked in the top 500 universities in 2010. It is known that the persons who have returned to their country after studying abroad have established a number of advanced technological research companies and those who have not returned to their country after studying abroad eventually have returned to China and put investments. For this reason, Chinese persons, who have not returned to their country after studying abroad, are called “brain bank” instead of “human capital flight” (Seitz, 2006).

China has experienced another significant development in the field of education after the reform. At the reform stage, the university gates have been opened to those who fulfilled certain conditions and wanted to receive higher education. In the pre-reform period, while the prior condition for higher education is party membership, this has been replaced by the entrance examination. While the only 4% of the population aged 18–22 could benefit from higher education opportunities in the 1990s, this rate increased to 22% in 2005 and the number of Chinese students rapidly increased (Zhu, 2007).

While all these developments have caused to the quality of the labor force, the abundant labor force suppresses the potential wage increases.

China, which had a marginal role in the foreign trade before 1978, became the world leader in terms of exports after 30 years. The exports and imports of the country have shown a continued increase until 1990 thanks to the opening to the outside world. The exports of the country grew rapidly in the post-1990 period, and the share of exports in the world trade reached 10% and the share of exports in its GDP reached approximately 50% by the 2000s.

The foreign trade plays an important role in the following: to meet the resource deficit of the country, to provide the market for the products manufactured, to catch up with the scale economy and to provide economic development by taking advantage of the manufacturing, technology, information and management skills in other countries. China, which increased its exports rapidly, supported domestic investments with its

obtained foreign exchange income and increased its import oriented manufacturing and accelerated its economic growth.

China ranked the first place in terms of exports and second place in terms of imports among the leading countries in the global trade. China has shown this success by increasing its imports and exports approximately 9 times in terms of value between 1995 and 2009 and China has continuously provided a foreign trade surplus. The exports of China, which significantly meets the raw materials, investments, intermediate goods, and new technology with imports, has surpassed its imports and provided foreign trade surplus. At the same time, foreign trade performance was effective in increasing reserves. After the change in the balances in the world trade, some countries have become the winning party and some countries have become the losing party. China is one of the winning parties.

The foreign capital investments are the most significant power source providing the industrial sector has become the main sector for the growth of China in the course of time and the developments in the foreign trade structure. As a significant part of the “Open Door” policy of Deng, the Exclusive Economic Zones (EEZ), which attracts the foreign capital, have been established and the number of these zones have rapidly been tried to increase. This movement, which has been initiated in order to attract foreign capitals, has influenced the exports of China positively. In regards to the location selection of EEZs, Guandong and Fujian EEZ bases, located on the shoreline and close to Hong Kong and Macao, have been selected on the purposes of capitalist growth and modern management experiences. 59,8% (Shenzhen 50,6% by oneself) of the foreign capital investments to China has been attracted by Shenzhen, Zhuhai, and Shantou in Guandong and Xiamen in Fujian established in 1980 (Yeung, et al. 2009).

EEZ of Shenzhen ranked in the first place regarding the number of patents (the number of patents is 2480 in 2008). This EEZ is one of the most important EEZs in which the companies, which manufacture high value-added products with high technology, operate. Another feature of this zone is that it is considered as a model for the characteristics in the manner that the companies have a big share in the international markets regarding the Chinese patented products and the convenient investment climate has been established for the foreign investors and 14% of the exports of China have been carried out.

The multinational companies (MNC) have established a large number of R&D centers in Shanghai, Beijing, Guangdong, Jiangsu, and Zhejiang. The locations where R&D centers

are established are located in the EEZs where success examples are experienced in terms of foreign investments. EEZ of Shenzhen is a privileged zone where products with high technology have been manufactured and privileges and the freedom in the labor market have been allowed due to the increase in labor productivity in the 1990s.

China was seen as the market for manufacturing with old technology by the foreign investors in the 1980s, and now it has become a market where products with advanced technology are manufactured. The number of patents increased rapidly, and the number of patents manufactured by the Chinese increased to 80115 in 2008 as per the World Bank data.

The success of economic reforms has caused significant changes in the social structure of China. The new rich people emerged in the late 1990s, and more importantly, China began to influence a middle-class social life which did not exist at all for different reasons in the 20th century. In accordance with a study conducted by the Chinese Academy of Social Sciences (CASS), the social structure in China has been transformed into an onion-shaped social structure in the hierarchical structure in which the middle class is dominated by the rich and the poor at the two extremes (Quinglian, 2005). Apart from Chinese traditions and family system, the growing class consisting of both the rich and the middle class is creating a new way of life with western understanding. According to the report of "Social Structure of China", which was published by conducting face-to-face interviews with 11.000 questionnaires and 1000 people and lasting 3 years, the social structure has undergone changes in both lifestyle and traditions in China (Li, 2003).

While the formation of the middle class has been structured in the West for a century, this stage has just begun in China. It has been known that the middle class comprises the younger generation and they aspire the western lifestyle. This new class has a low tendency to practice economy and has high consumption, specifically, brand consumption tendency. Another significant problem incurred by the new social structure is the breakdown of the income distribution. The income distribution in China is among the worst in Asian countries. Most of the Chinese have been influenced by the innovations experienced in the early years of the reforms after 1978. As of the second half of the 1990s, one class has become more prosperous, and the other one has become impoverished. The significance of the struggle with this negative development and the policies to be developed in order to fight against poverty have been emphasized in the strategy in which the objectives to be determined until 2025 and called "China's Grand Strategy".

China, which is one of the poorest countries of the 20th century, entered into the 21st century with a new identity through the program initiated and the policies implemented slowly but surely in 30 years. China also has affected the global economy and continues to influence it. China, demonstrating a structure which will change the balances of the world, is also in a very significant position in terms of planning the future of world countries.

However, we should emphasize that the current concerns that growing China will possess the whole world are flights of imagination. The rich countries are richer than they are considered and this fact cannot be ignored. The sum of the real estates and financial assets of the European households is currently €70 trillion after deduction of the debts. When compared, the sum of the different Chinese state funds and the reserves of the Central Bank of China correspond to approximately €3 trillion and is less than one-twentieth of assets of Europe. Poor countries cannot acquire developed countries. Because this requires these countries to be richer than the developed countries, and reaching such a level takes a long time (Piketty, 2015).

7. China, the World, and Turkey

It is seemed possible that the change in the economic balances of the world, rising populist political movements and possible wars in the world cause a large number of successive problems to be faced and solved by Turkey.

Turkey's geographical and cultural closeness to European and Middle Eastern markets, which are the most significant markets of the world, constitute the fundamental ground of the Turkish economy in the international markets. The passing of the global economy's center of gravity to China means that one of the two grounds is significantly weakened. China, which is already the world's largest market for many products and is expected to be ranked in this position by a long way, is not a close country to Turkey in terms of geography and culture. The second ground of the Turkish economy for the future in terms of foreign markets also does not seem secure. In the next decades, it seems that the Middle East markets will shrink and lose its significance due to the fact that oil revenues are significantly decreased because of the precautions to be taken against global warming. Currently, approximately two-thirds of the world's oil is consumed by transport vehicles. As a result of the efforts of the leading actors of the world in order to limit the global warming and to become prominent in this new sector, a significant decrease in oil consumption in the world in the next decades will be

experienced with the spread of hybrid transport vehicles and the getting fossil fuels from the electricity manufacturing (Gomez, et al. 2013). This also means shrinking of the market economy depends on the oil revenues and weakening of the ground which provides a competitive advantage to Turkey (Oktay, 2017).

Coming to the power of the populist parties in the West or increasing their impact on the policies of the parties who are in power, may accelerate the shrinking of the foreign markets of Turkey by leading to protectionist and exclusionary policies.

On the other hand, it seems inevitable that climate change will be an increasing problem for Turkey in the next years. In light of the most optimistic prediction, global warming will continue to increase until the end of the century, even if the world countries are in compliance with the objectives of the Paris Convention. This means a decrease in agricultural manufacturing, water shortages, and extreme climate events for Turkey located in one of the most fragile regions in terms of climate. More importantly, this situation increases the possibility of disagreements due to social instability in the neighboring countries and water resources between these countries and the vulnerability of Turkey to these situations (Türkeş, et al. 2013).

Although the probability is low, we may include unpredictable problems the extents of which cannot be estimated to the above such as getting out of control of world climate as a result of the failure to limit global warming and acquiring global extent of the frictions between China and US.

In the case of negative developments, is Turkey ready enough to deal with them effectively? It is hard to give a positive response. We may address the economic magnitude, investment capacity, scientific and technological productivity of a country as indicators regarding its capacity to face problems. Considering these indicators, Turkey does not seem to evaluate the rapidly developing economies and technological know-how of the East Asian countries and China.

The Chinese economy reached 25 times its magnitude in 1977 at the end of 2011 with an average annual growth of 10%. The economy magnitude of Turkey only reached 3,7 times its magnitude with an average annual growth of 4% in the same period. The share of China and the peripheral countries, which are not growth miracles, in the world's total manufacturing reached from 25% to 37%, in other words, it increased by 50%. The share of Turkey in the same years have been released within a narrow cycle of just over 1% and it is essentially unchanged.

The magnitude of the economy and the national saving rate determine a country's capacity to make investments. In the past decade, while the Turkish economy is growing at an average rate, there is also an extraordinary breakdown in the rate of national savings. The national savings rate of Turkey, which at around 15% until the mid-1980s exceeded 25% in 1988 by increasing rapidly on these dates. Then it decreased to 20% and it reached 25% again in 1998. However, after this date, the rate of savings, which decreased rapidly in the 2000s specifically, decreased to 13% in 2013. In the same year, the worldwide national savings rate was 22% and the average of rich countries, which are lack of practicing economy, was 20% and even in the US, which is known its low practicing economy, was 17%. When compared, the rate of savings of Turkey may be considered as extraordinary low. The combination of ordinary growth and extraordinary low level of national savings means that Turkey is out of sufficient capacity to make investments in order to face major challenges.

It seems that the significance of the manufacturing industry in the Turkish economy has gradually decreased during this period. It is known that the significance of the manufacturing industry in the economy decreases after a certain stage of development in today's developed countries. However, starting from the 1980s, it is observed that there have been similar developments in the developing countries even when the manufacturing industry has not fully developed and the share of the manufacturing industry has not increased in the economy. It is further observed that the manufacturing industry has run out without developing. Several studies indicate that this stage described as "premature deindustrialization" may be seen in the economies of all the developing countries except for the economies of East Asian countries, which are described as the growth miracles (Tregenna, 2015). We see that the share of manufacturing industry in the Turkish economy in its GDP was 20% in 1970 and then increased to 30% in 1989 with a continuous increase. We also see that it decreased to 15% in 2013 after the rises and falls at these levels in 1995. The starting to decrease before the full development of the weight of the manufacturing industry in the economy, which we can evaluate as a reflection of the capacity of structuring the world may be considered as a development which negatively influences the country's ability to manufacture and implement solutions to potential problems that we have mentioned.

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